



Sean Rogan
Executive Director

**HOUSING AUTHORITY
of the County of Los Angeles**

Administrative Office
2 Coral Circle • Monterey Park, CA 91755
323.890.7001 • TTY: 323.838.7449 • www.lacdc.org



Gloria Molina
Mark Ridley-Thomas
Zev Yaroslavsky
Don Knabe
Michael D. Antonovich
Commissioners

March 20, 2012

The Honorable Board of Commissioners
Housing Authority of the
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Commissioners:

**ALLOCATION OF CITY OF INDUSTRY TAX INCREMENT FUNDS AND APPROVAL OF
ENVIRONMENTAL DOCUMENTATION FOR SIX AFFORDABLE HOUSING DEVELOPMENTS IN
THE CITIES OF EL MONTE AND LOS ANGELES
(DISTRICTS 1, 2) (3 VOTE)**

SUBJECT

This letter recommends that your Board approve the allocation of City of Industry Tax Increment funds (Industry Funds) for six affordable rental housing developments located within a 15-mile radius of the City of Industry, and approve related environmental documents. Due to the recent dissolution of redevelopment agencies in the State of California, the Housing Authority's use of Industry Funds may be challenged at some future date. For this reason, the County of Los Angeles has filed a separate Board letter recommending commitment of County General Funds (CGF) as an alternative source of funds should the Industry Funds not be upheld as an enforceable obligation.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Acting as a responsible agency pursuant to the California Environmental Quality Act (CEQA), certify that the Housing Authority has considered the attached Notices of Exemption for the Sol y Luna Apartments project, the 226 Berendo project, the Burlington Family Villas project, and the Knob Hill Apartments project, which were prepared by the City of Los Angeles as lead agency; and find that these projects will not cause a significant impact on the environment.
2. Acting as a responsible agency pursuant to CEQA, certify that the Housing Authority has considered the attached Notice of Exemption for the El Monte Veterans Apartments project, which was prepared by the City of El Monte as lead agency; and find that this project will not cause a significant impact on the environment.

3. Acting as a responsible agency pursuant to CEQA, certify that the Housing Authority has considered the attached Initial Study/Mitigated Negative Declaration (IS/MND) for the Eagle Vista Apartments project, which was prepared by the City of Los Angeles as lead agency; find that the mitigation measures identified in the IS/MND for this project are adequate to avoid or reduce potential impacts below significant levels; and find that this project will not cause a significant impact on the environment.
4. Approve loans to recommended developers, identified in Attachment B, using Industry Funds in a total amount of up to \$13,450,230 for one multifamily development, four special needs developments, and for the sustainable rehabilitation of one existing special needs development.
5. Authorize the Executive Director or his designee to negotiate, execute, and if necessary, amend, reduce or terminate Loan Agreements with the recommended developers, identified in Attachment B, and all related documents, including but not limited to documents to subordinate the loans to permitted construction and permanent financing and any intergovernmental, interagency, or inter-creditor agreements necessary for the implementation of each development, following approval as to form by County Counsel.
6. Authorize the Executive Director or his designee to incorporate, as needed, up to \$13,450,230 in Industry Funds into the Housing Authority's approved Fiscal Year 2011-2012 budget, for the purposes described above.
7. Authorize the Housing Authority to use up \$13,450,230 in CGF committed by the Board of Supervisors as an alternative source of funds should the Industry Funds not be upheld as an enforceable obligation, and to incorporate the CGF into the Housing Authority's approved budget as needed.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On March 13, 2012, the Board of Supervisors instructed the CEO and the Housing Authority to return to the Board with recommendations to award \$13,450,230 in Industry Funds to developers of affordable housing projects selected through the Housing Authority's Notice of Funding Availability (NOFA) process.

The allocation of Industry Funds will finance 152 new units of affordable multifamily and special needs housing, and will provide for the sustainable rehabilitation of 48 existing special needs units, for a total of 200 Industry-assisted units.

Special legislation allowed the City of Industry to transfer tax increment generated by the 20 percent affordable housing set-aside required of redevelopment projects to the Housing Authority to be spent on affordable housing projects within a 15-mile radius of the City of Industry. Moreover, the City of Industry identified the Industry Funds as an enforceable obligation. However, due to the recent dissolution of redevelopment agencies in the State of California, it is unclear whether the Industry Funds will be accessible during the dissolution process or thereafter.

The timing for allocating funds for six of the proposed projects is critical. In order for the developers to apply for Low Income Housing Tax Credits, they must submit their application by the March 22, 2012 deadline to the California Tax Credit Allocation Committee (TCAC). This round of TCAC funding is expected to be much less competitive as compared to the round in the fall of 2012. For

example, in 2011, there were 100 fewer applications and the same is expected for 2012. TCAC is expected to fund approximately 9-10 projects in Los Angeles County during this round, and the aforementioned projects will be in a much more advantageous position for funding should they be able to apply in this upcoming round. Further, it is vital that the proposed developments do not incur additional holding costs.

FISCAL IMPACT/FINANCING

The recommended loans will provide a total amount of up to \$13,450,230 in Industry Funds to finance six developments. Funds for these loans will be incorporated into the Housing Authority's approved Fiscal Year 2011-2012 budget on an as-needed basis. Any remaining funds will be included in the Housing Authority's proposed Fiscal Year 2012-2013 budget or future years' budgets.

Final loan amounts will be determined following completion of negotiations with the developers and arrangements with other involved lenders. Each loan will be evidenced by a promissory note and secured by a deed of trust, with the term of affordability enforced by a recorded Covenants, Conditions and Restrictions document.

The CEO is recommending an appropriation adjustment for Fiscal Year 2011-12 in the amount of \$13,451,000 to establish a Reserve for Housing Authority Program using secured property taxes revenue as an alternative source of funds should the Industry funds not be upheld as an enforceable obligation.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Industry Funds are collected by the City of Industry and transferred to the Housing Authority to administer for the development of low- and moderate-income housing. On June 2, 1998, your Board adopted an Allocation and Distribution Plan for the disbursement of Industry Funds in incorporated and unincorporated areas within a 15-mile radius of the City of Industry.

Fifteen previous solicitations for proposals have awarded a total of approximately \$240,277,557 in Industry Funds to 209 developments, created 7,896 units of affordable and special needs housing, and leveraged over \$1,860,347,733 in external funds.

On September 30, 2011, a NOFA was issued by the Housing Authority, making available approximately \$12,000,000 in Industry Funds for the development of affordable rental housing. Thirteen requests for Industry funds were received by the November 10, 2011 deadline. Proposals submitted for the NOFA were reviewed by technical consultants and the Housing Authority's Independent Review Panel, which also reviews and administratively adjudicates applicant appeals. Applicants were notified of the scoring results and given seven days to appeal individual scores for procedural or technical errors.

Upon receipt of the proposals six developments were chosen requiring an additional allocation of \$1,450,230 in previously recaptured funds, bringing the total Industry Fund allocation to \$13,450,230.

The developments recommended for funding awards have met threshold criteria. Only proposals scoring a minimum of 70% of the total overall points were considered for an award. Additionally, proposals for new construction or substantial rehabilitation were required to score a minimum of 70% of the total points under each of the following categories in order to be considered for an award: (1)

Development Feasibility, (2) Design, and (3) Supportive Services and Property Management Plan.

All Loan Agreements will incorporate affordability restrictions and provisions requiring developers to comply with all applicable federal, state, and local laws. The recommended allocation of Industry Funds, totaling up to \$13,450,230 for the six recommended projects, will leverage approximately \$71,915,798 in additional external resources, five times the amount of Industry Funds being recommended for allocation at this time.

The Loan Agreements will set aside a minimum of 20% of each development's rental units at rates affordable to low-income households earning no more than 50% of the median income for the Los Angeles-Long Beach Metropolitan Statistical Area, adjusted for family size, as established by the U.S. Department of Housing and Urban Development. For special needs housing, a minimum of 35% of the units will be reserved for households with incomes no more than 50% of median income. The Loan Agreements will require that the affordable housing units be set-aside for a period of 55 years.

Attachment B is a complete list of developments recommended for funding at this time. It should be noted that of the six developments listed, five received recommendations for additional Industry funds under the Energy Efficiency Incentive, which is available through optional sustainable building methods in the design category. The amounts vary from \$100,000 to \$200,000 because they reflect the development's estimated energy efficiency levels.

ENVIRONMENTAL DOCUMENTATION

The proposed projects identified in Attachment B have been reviewed by the Housing Authority pursuant to the requirements of CEQA.

The Sol y Luna Apartments project, the 226 Berendo project, the Burlington Family Villas project, and the Knob Hill Apartments project were determined Statutorily Exempt from the requirements of CEQA by the City of Los Angeles in accordance with State CEQA Guidelines Section 15268. The Housing Authority's consideration of these determinations satisfies the requirements of CEQA.

The El Monte Veterans Apartments project was determined exempt from the requirements of CEQA by the City of El Monte in accordance with State CEQA Guidelines Sections 15192 and 15194. The Housing Authority's consideration of this determination satisfies the requirements of CEQA.

As a responsible agency, and in accordance with the requirements of CEQA, the Housing Authority reviewed the IS/MND prepared by the City of Los Angeles for the Eagle Vista Apartments project, and determined that this project will not have a significant adverse impact on the environment. The Housing Authority's consideration of the IS/MND and filing of the Notice of Determination satisfy the State CEQA Guidelines as stated in Article 7, Section 15096.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The requested actions will increase the supply of affordable special needs and non-special needs housing in the County of Los Angeles.

The Honorable Board of Supervisors

3/20/2012

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Respectfully submitted,

A handwritten signature in black ink, appearing to read "Sean Rogan", followed by a horizontal line extending to the right.

SEAN ROGAN

Executive Director

SR:bd

Enclosures